

**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

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**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

OFFICIALS

<i>NAME</i>	<i>TITLE</i>	<i>TERM EXPIRES</i>
Board of Education		
(Before September 2013 Election)		
Grant Gibbons	President	2013
Michelle Stapp	Vice President	2013
Rob Scott		2013
Emily Clausen		2015
Todd Lundgren		2015
Dan Hansen		2015
Dave Hainzinger		2013

(After September 2013 Election)

Dustin Hector	President	2016
Dave Hainzinger	Vice President	2016
Joni Reiling		2016
Emily Clausen		2015
Todd Lundgren		2015
Dan Hansen		2015
Bill Hinman		2016

SCHOOL OFFICIALS

Launi Dane	Superintendent
Karla Flickinger	Business Manager, Board Secretary



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Southeast Webster-Grand Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southeast Webster-Grand Community School District, Burnside, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Webster-Grand Community School District at June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Webster-Grand Community School District's basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2015 on our consideration of Southeast Webster-Grand Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southeast Webster-Grand Community School District's internal control over financial reporting and compliance.

Schnarr & Company, LLP

Fort Dodge, Iowa
March 19, 2015

**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southeast Webster-Grand Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues decreased from \$6,547,605 in fiscal year 2013 to \$6,532,894 in fiscal year 2014, a 0.01% decrease. General Fund expenditures increased from \$6,191,795 in fiscal 2013 to \$6,545,955 in fiscal year 2014, a 5.7% increase.
- The General Fund decreased over \$13,000. Higher instructional costs were the primary factor.
- The District collected statewide sales, services and use tax during the year. These revenues were used to pay the principal and interest on revenue bonds issued in previous fiscal years to finance various building repairs and upgrades.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Southeast Webster-Grand Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Southeast Webster-Grand Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Southeast Webster-Grand Community School District acts solely as an agent or custodian for the benefit of those outside of the school district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and a multi-year comparison of revenues and expenses for all governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Capital Projects Fund, and the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Funds include the School Nutrition Fund, Eagle's Nest and Day Care.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- *Fiduciary funds* – The district is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds. The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-1
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change (%)
	2014	2013	2014	2013	2014	2013	2013-2014
Assets:							
Current and other assets	\$ 6,417	\$ 6,245	\$ 80	\$ 52	\$ 6,497	\$ 6,297	3.18
Capital assets	4,077	4,062	2	3	4,079	4,065	0.34
Total assets	10,494	10,307	82	55	10,576	10,362	2.07
Liabilities:							
Long-term liabilities	1,857	1,937	-	-	1,857	1,937	-4.13
Other liabilities	868	906	132	91	1,000	997	0.30
Total liabilities	2,725	2,843	132	91	2,857	2,934	-2.62
Deferred inflows of resources:	3,051	3,135	-	-	3,051	3,135	-2.68
Net Position:							
Net invested in capital assets	2,377	2,150	2	3	2,379	2,153	10.50
Restricted	1,536	1,269	-	-	1,536	1,269	21.04
Unrestricted	805	910	(52)	(39)	753	871	-13.55
Total net position	\$ 4,718	\$ 4,329	\$ (50)	\$ (36)	\$ 4,668	\$ 4,293	8.74

The largest portion of the District's net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$267,000 over the prior year. The increase was primarily due to revenues exceeding expenditures in the management levy fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$118,000, or 13.6%,

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Figure A-2 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-2
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	(%)
							2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 491	\$ 585	\$ 305	\$ 279	\$ 796	\$ 864	-7.87
Operating grants, contributions	977	960	212	188	1,189	1,148	3.57
General revenues:							
Property tax	3,136	2,981	-	-	3,136	2,981	5.20
Income surtax	182	139	-	-	182	139	30.94
Statewide sales, service and use tax	489	445	-	-	489	445	9.89
Unrestricted state grants	2,301	2,224	-	-	2,301	2,224	3.46
Unrestricted investment earnings	1	3	1	-	2	3	-33.33
Other	47	153	-	-	47	153	-69.28
Total revenues	7,624	7,490	518	467	8,142	7,957	2.32
Program Expenses:							
Instruction	4,673	4,457	-	-	4,673	4,457	4.85
Student support services	1,998	1,746	-	-	1,998	1,746	14.43
Non-instructional programs	-	-	532	481	532	481	10.60
Other expenditures	564	799	-	-	564	799	-29.41
Total expenses	7,235	7,002	532	481	7,767	7,483	3.80
Increase (decrease) in net position	389	488	(14)	(14)	375	474	-20.89
Net position beginning of year	4,329	3,841	(36)	(22)	4,293	3,819	12.41
Net position end of year	\$ 4,718	\$ 4,329	\$ (50)	\$ (36)	\$ 4,668	\$ 4,293	8.74

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Revenues for governmental activities were \$7,624,345 and expenses were \$7,235,099 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	Percentage			Percentage		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 4,673	\$ 4,459	4.80	\$ 3,457	\$ 3,174	8.92
Support services	1,998	1,745	14.50	1,966	1,698	15.78
Other expenses	564	799	-29.41	344	586	-41.30
	\$ 7,235	\$ 7,003	3.31	\$ 5,767	\$ 5,458	5.66

- The cost financed by users of the District's programs was \$490,579. The District shared administrative personnel with Prairie Valley in fiscal year 2014.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$976,845.
- The net cost of governmental activities was financed with \$3,137,185 in property taxes and \$2,301,414 in unrestricted state grants.

Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2014 were \$517,698 and expenses totaled \$532,301. The District's business-type activities include the School Nutrition, Eagle's Nest and Day Care Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

The Nutrition Fund decreased by \$31,376 from the prior year. The District has increased the cost of lunches to the maximum amount and is watching the cost of meals closely. The District's Day Care operation showed an increase of \$16,662 for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Southeast Webster-Grand Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,296,961, a \$244,633 increase from the beginning balance of \$2,052,328. This was primarily the result of management levy revenues exceeding expenditures during the year.

Governmental Fund Highlights

- The District's decreased General Fund financial position is the result of increased expenditures.
- The Management Levy Fund increased over \$190,000 in the fiscal year ending June 30, 2014.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased its position by \$31,376 during the fiscal year ending June 30, 2014. The Day Care Fund balance has increased by over \$16,000.

BUDGETARY HIGHLIGHTS

The District's receipts were \$239,378 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less local funding than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures did exceed the amount budgeted in the instruction function; however, the budget as a whole was not exceeded.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$4.1 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audiovisual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets can be found in Note 5 to the financial statements. Depreciation expense for the year was \$184,272.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The original cost of the District's capital assets was \$8,152,568. Governmental funds account for \$8,067,481, with the remainder of \$85,087 accounted for in the Proprietary, School Nutrition Fund.

FigureA-4
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2,014	2,013	2014	2013	2014	2013	(%)
							2013-2014
Land	9	9	\$ -	\$ -	\$ 9	\$ 9	0.0
Site improvement	366	393	-	-	366	393	-6.9
Buildings	3,463	3,370	-	-	3,463	3,370	2.8
Furniture and equipment	239	290	3	3	242	293	-17.4
Total	4,077	4,062	\$ 3	\$ 3	\$ 4,080	\$ 4,065	0.4

Long-term Debt

At June 30, 2014, the District had \$1,700,000 of revenue bonds outstanding.

The other long-term debt remaining is early retirement payments. More detailed information about long-term debt is fully described in Note 8 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has begun sharing in several areas in order to contain costs without reducing programs.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District: "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karla Flickinger, Business Manager, Southeast Webster-Grand Community School District, 30850 Paragon Avenue, Burnside, Iowa 50521.

**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,676,632	\$ 65,559	\$ 2,742,191
Receivables:			
Property tax:			
Delinquents	48,327	-	48,327
Succeeding year	3,050,662	-	3,050,662
Accounts	352,463	7,844	360,307
Income surtax	160,391	-	160,391
Due from other funds	68,413	-	68,413
Due from other governments	19,288	-	19,288
Inventories	-	5,925	5,925
Net OPEB asset	40,878	-	40,878
Capital assets, net of accumulated depreciation	4,077,184	2,431	4,079,615
Total assets	10,494,238	81,759	10,575,997
Liabilities			
Accounts payable	323,857	63,298	387,155
Salaries and benefits payable	542,808	1,617	544,425
Due to other funds	1,497	66,916	68,413
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	76,138	-	76,138
Revenue bonds	212,500	-	212,500
Portion due or payable after one year:			
Compensated absences	80,824	-	80,824
Revenue bonds	1,487,500	-	1,487,500
Total liabilities	2,725,124	131,831	2,856,955
Deferred Inflows of Revenue			
Unavailable property tax revenue	3,050,662	-	3,050,662
Total deferred inflows of resources	3,050,662	-	3,050,662

(Continued on next page)

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**Exhibit A
(Continued)****STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 2,377,184	\$ 2,431	\$ 2,379,615
Restricted for:			
Categorical funding	110,641	-	110,641
Management levy purposes	285,837	-	285,837
Student activities	49,006	-	49,006
School infrastructure	734,478	-	734,478
Physical plant and equipment	356,056	-	356,056
Unrestricted	805,250	(52,503)	752,747
Total net position	\$ 4,718,452	\$ (50,072)	\$ 4,668,380

See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,085,691	\$ 341,899	\$ 429,235	\$ -
Special instruction	823,661	44,003	107,060	-
Other instruction	763,361	104,677	188,527	-
	<u>4,672,713</u>	<u>490,579</u>	<u>724,822</u>	<u>-</u>
Support services:				
Student	113,979	-	-	-
Instructional staff	176,926	-	-	-
Administration	639,094	-	30,317	-
Operation and maintenance of plant	567,949	-	-	-
Transportation	500,295	-	1,708	-
	<u>1,998,243</u>	<u>-</u>	<u>32,025</u>	<u>-</u>
Other expenses:				
Facilities acquisition	103,454	-	-	-
Long-term debt interest	56,419	-	-	-
AEA flowthrough	219,998	-	219,998	-
Depreciation (unallocated)	184,272	-	-	-
	<u>564,143</u>	<u>-</u>	<u>219,998</u>	<u>-</u>
Total governmental activities	<u>7,235,099</u>	<u>490,579</u>	<u>976,845</u>	<u>-</u>
Business-type activities:				
Non-instructional programs:				
Food service operations	357,576	118,574	207,618	-
Other enterprise operations	174,725	186,577	4,921	-
	<u>532,301</u>	<u>305,151</u>	<u>212,539</u>	<u>-</u>
Total	<u>\$ 7,767,400</u>	<u>\$ 795,730</u>	<u>\$ 1,189,384</u>	<u>\$ -</u>

Exhibit B

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (2,314,557)	\$ -	\$ (2,314,557)
(672,598)	-	(672,598)
(470,157)	-	(470,157)
(3,457,312)	-	(3,457,312)
(113,979)	-	(113,979)
(176,926)	-	(176,926)
(608,777)	-	(608,777)
(567,949)	-	(567,949)
(498,587)	-	(498,587)
(1,966,218)	-	(1,966,218)
(103,454)	-	(103,454)
(56,419)	-	(56,419)
-	-	-
(184,272)	-	(184,272)
(344,145)	-	(344,145)
(5,767,675)	-	(5,767,675)
-	(31,384)	(31,384)
-	16,773	16,773
-	(14,611)	(14,611)
(5,767,675)	(14,611)	(5,782,286)

(Continued on next page)

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See Notes to Financial Statements.

**Exhibit B
(Continued)**

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ 2,953,714	\$ -	\$ 2,953,714
183,471	-	183,471
181,788	-	181,788
489,146	-	489,146
2,301,414	-	2,301,414
117	8	125
47,271	-	47,271
6,156,921	8	6,156,929
389,246	(14,603)	374,643
4,329,206	(35,469)	4,293,737
\$ 4,718,452	\$ (50,072)	\$ 4,668,380

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Exhibit C

BALANCE SHEET
Governmental Funds
June 30, 2014

	General Fund	Special Revenue	Capital Projects	Total
Assets				
Cash and pooled investments	\$ 1,344,084	\$ 328,721	\$ 1,003,827	\$ 2,676,632
Receivables:				
Property tax:				
Delinquent	40,873	4,625	2,829	48,327
Succeeding year	2,610,865	259,999	179,798	3,050,662
Accounts	258,885	-	93,578	352,463
Income surtax	160,391	-	-	160,391
Due from other funds	66,916	1,497	-	68,413
Due from other governments	19,288	-	-	19,288
Total assets	\$ 4,501,302	\$ 594,842	\$ 1,280,032	\$ 6,376,176
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 314,157	\$ -	\$ 9,700	\$ 323,857
Salaries and benefits payable	542,808	-	-	542,808
Due to other funds	1,497	-	-	1,497
Total liabilities	858,462	-	9,700	868,162
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,610,865	259,999	179,798	3,050,662
Income surtax	160,391	-	-	160,391
Total deferred inflows of resources	2,771,256	259,999	179,798	3,211,053
Fund balances:				
Restricted for:				
Categorical funding	110,641	-	-	110,641
Management levy purposes	-	285,837	-	285,837
Student activities	-	49,006	-	49,006
School infrastructure	-	-	734,478	734,478
Physical plant and equipment	-	-	356,056	356,056
Unassigned	760,943	-	-	760,943
Total fund balances	871,584	334,843	1,090,534	2,296,961
Total liabilities, deferred inflows of resources and fund balances	\$ 4,501,302	\$ 594,842	\$ 1,280,032	\$ 6,376,176

See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**Exhibit D****Reconciliation of the Balance Sheet -****Governmental Funds to the Statement of Net Position
June 30, 2014**

Total fund balances of governmental funds (page 17)	\$ 2,296,961
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,077,184
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(1,856,962)
Income surtax receivable at June 30, 2014 is not recognized as a revenue until received in the governmental funds; however, it is shown as revenue in the Statement of Activities in the year of levy, thus, no deferred outflows of revenue is shown in the Statement of Net Position.	160,391
The Net OPEB Asset is not receivable in the current year, and, therefore, not reported in the governmental funds.	<u>40,878</u>
Net position of governmental activities (page 14)	<u>\$ 4,718,452</u>

See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****Governmental Funds****Year Ended June 30, 2014**

	General Fund	Special Revenue	Capital Projects
Revenues:			
Local sources:			
Local tax	\$ 2,812,435	\$ 300,241	\$ 183,441
Tuition	351,722	-	-
Other	95,880	97,013	1,265
State sources	3,018,504	154	487,952
Federal sources	254,353	-	-
Total revenues	6,532,894	397,408	672,658
Expenditures:			
Current:			
Instruction:			
Regular	2,992,690	51,003	-
Special	823,661	-	-
Other	733,197	30,164	-
	4,549,548	81,167	-
Support services:			
Student	49,580	64,399	-
Instructional staff	176,926	-	-
Administration	575,738	1,111	-
Operation and maintenance of plant	487,693	45,979	34,277
Transportation	486,472	11,814	2,009
	1,776,409	123,303	36,286
Other expenditures:			
Facilities acquisition	-	-	302,697
Long-term debt:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
AEA flowthrough	219,998	-	-
	219,998	-	302,697
Total expenditures	6,545,955	204,470	338,983

Exhibit E

Debt Service	Total
\$ -	\$ 3,296,117
-	351,722
-	194,158
-	3,506,610
-	254,353
-	7,602,960
-	3,043,693
-	823,661
-	763,361
-	4,630,715
-	113,979
-	176,926
-	576,849
-	567,949
-	500,295
-	1,935,998
-	302,697
212,500	212,500
56,419	56,419
-	219,998
268,919	791,614
268,919	7,358,327

(Continued on next page)

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

Year Ended June 30, 2014

	General Fund	Special Revenue	Capital Projects
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (13,061)</u>	<u>\$ 192,938</u>	<u>\$ 333,675</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(268,919)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(268,919)</u>
Change in fund balances	(13,061)	192,938	64,756
Fund balances, beginning of year	<u>884,645</u>	<u>141,905</u>	<u>1,025,778</u>
Fund balances, end of year	<u><u>\$ 871,584</u></u>	<u><u>\$ 334,843</u></u>	<u><u>\$ 1,090,534</u></u>

See Notes to Financial Statements.

Exhibit E
(Continued)

Debt Service	Total
<u>\$ (268,919)</u>	<u>\$ 244,633</u>
268,919	268,919
-	(268,919)
<u>268,919</u>	<u>-</u>
-	244,633
<u>-</u>	<u>2,052,328</u>
<u>\$ -</u>	<u>\$ 2,296,961</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
Governmental Funds to the Statement of Activities
June 30, 2014**

Change in fund balances - total governmental funds (page 20) **\$ 244,633**

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 199,243	
Depreciation expense	<u>(184,272)</u>	14,971

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds.		21,385
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		212,500
---	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(132,412)	
Other postemployment benefits	<u>28,169</u>	(104,243)

Change in net position of governmental activities (page 16)		<u>\$ 389,246</u>
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See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2014

	School Nutrition	Eagle's Nest	Day Care	Total
Assets				
Current assets:				
Cash and pooled investments	\$ 47,584	\$ 111	\$ 17,864	\$ 65,559
Accounts receivable	-	-	7,844	7,844
Inventories	5,925	-	-	5,925
Total current assets	53,509	111	25,708	79,328
Noncurrent assets:				
Capital assets, net of accumulated depreciation	2,431	-	-	2,431
Total noncurrent assets	2,431	-	-	2,431
Total assets	\$ 55,940	\$ 111	\$ 25,708	\$ 81,759
Liabilities				
Current liabilities:				
Accounts payable	\$ 62,759	\$ -	\$ 539	\$ 63,298
Salary and benefits payable	-	-	1,617	1,617
Due to other funds	50,000	16,916	-	66,916
Total current liabilities	112,759	16,916	2,156	131,831
Net Position				
Investment in capital assets	2,431	-	-	2,431
Unrestricted	(59,250)	(16,805)	23,552	(52,503)
Total net position	\$ (56,819)	\$ (16,805)	\$ 23,552	\$ (50,072)

See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT
Exhibit H
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Proprietary Funds
Year Ended June 30, 2014

	School Nutrition	Eagle's Nest	Day Care	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 118,574	\$ 111	\$ 186,466	\$ 305,151
Non-instructional programs:				
Salaries	92,153	-	134,863	227,016
Benefits	24,448	-	19,204	43,652
Supplies	240,148	-	20,658	260,806
Depreciation	827	-	-	827
Total operating expenses	357,576	-	174,725	532,301
Operating income (loss)	(239,002)	111	11,741	(227,150)
Non-operating revenues:				
Local sources	-	-	4,921	4,921
State sources	3,004	-	-	3,004
Federal sources	204,614	-	-	204,614
Interest income	8	-	-	8
Total non-operating revenues	207,626	-	4,921	212,547
Change in fund net position	(31,376)	111	16,662	(14,603)
Net position beginning of year	(25,443)	(16,916)	6,890	(35,469)
Net position end of year	\$ (56,819)	\$ (16,805)	\$ 23,552	\$ (50,072)

See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

Proprietary Funds

Year Ended June 30, 2014

	School Nutrition	Eagle's Nest
Cash flows from operating activities:		
Cash received from sale of services	\$ 129,741	\$ 111
Cash paid to employees for services	(133,902)	-
Cash paid to suppliers for goods or services	(160,441)	-
Net cash provided by (used in) operating activities	<u>(164,602)</u>	<u>111</u>
Cash flows from non-capital financing activities:		
Contributions received	-	-
State grants received	3,004	-
Federal grants received	182,070	-
Net cash provided by non-capital financing activities	<u>185,074</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>8</u>	<u>-</u>
Net increase in cash and pooled investments	20,480	111
Cash and pooled investments beginning of year	<u>27,104</u>	<u>-</u>
Cash and pooled investments end of year	<u>\$ 47,584</u>	<u>\$ 111</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (239,002)	\$ 111
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities used	22,544	-
Depreciation	827	-
(Increase) decrease in accounts receivable	11,167	-
Decrease in inventories	1,033	-
Increase in accounts payable	60,635	-
Increase (decrease) in salaries and benefits payable	(17,301)	-
(Decrease) in due to other funds	<u>(4,505)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (164,602)</u>	<u>\$ 111</u>

See Notes to Financial Statements.

Exhibit I

Day Care	Total
\$ 179,674	\$ 309,526
(152,450)	(286,352)
(20,119)	(180,560)
7,105	(157,386)

4,921	4,921
-	3,004
-	182,070
4,921	189,995

-	8
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12,026	32,617
--------	--------

5,838	32,942
-------	--------

\$ 17,864	\$ 65,559
-----------	-----------

\$ 11,741	\$ (227,150)
-----------	--------------

-	22,544
-	827
(6,792)	4,375
-	1,033
539	61,174
1,617	(15,684)
-	(4,505)

\$ 7,105	\$ (157,386)
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SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**Exhibit J****STATEMENT OF FIDUCIARY NET POSITION****Private Purpose Trust Fund****Year Ended June 30, 2014**

	Private Purpose Trust Scholarship
Assets	
Current assets:	
Cash and pooled investments	\$ 13,100
Total current assets	<u>13,100</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 2,250
Total current liabilities	<u>2,250</u>
Net Position	
Reserved for scholarships	<u>10,850</u>
Total net position	<u><u>\$ 10,850</u></u>

See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**Exhibit K****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****Private Purpose Trust Fund****Year Ended June 30, 2014**

	Private Purpose Trust Scholarship
<hr/>	
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 18,600</u>
	18,600
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>7,750</u>
Change in net position	10,850
Net position beginning of year	-
Net position end of year	<u><u>\$ 10,850</u></u>

See Notes to Financial Statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Southeast Webster-Grand Community School District ("District") is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Boxholm, Pilot Mound, Burnside, Harcourt, Lehigh and Dayton, Iowa and the predominate agricultural territory in Webster and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Southeast Webster-Grand Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization: The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster and Boone County Assessor's Conference Boards.

B. Basis of Presentation:

Government-wide financial statements: The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide financial statements (continued):

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements: Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Special Revenue and Capital Projects Funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Special Revenue Fund is utilized for the payment of insurance, unemployment and early retirement benefits. In addition, the fund accounts for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of principal and interest on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's major proprietary funds are the School Nutrition, Eagle's Nest and Day Care Funds. These funds are used to account for the food service, student run business and day care operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and pooled investments: The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property tax receivable: Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from Other Governments: Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories: Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets: Capital assets, which include property and furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and benefits payable: Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred inflows of resources: Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Compensated absences: District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the government fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund equity: In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amended amount budgeted in the instruction function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable fund	Payable fund	Amount
General	Proprietary - School Nutrition	\$ 50,000
General	Proprietary - Eagles Nest	16,916
Special Revenue - Management Levy	General	1,497
		<u>\$ 68,413</u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects - Statewide Sales,	
Debt Service Fund	Services and Use Tax	\$ 268,919

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Total capital assets not being depreciated	9,000	-	-	9,000
Capital assets being depreciated:				
Site improvements	785,398	-	-	785,398
Buildings	5,199,396	181,903	-	5,381,299
Furniture and equipment	1,874,444	17,340	-	1,891,784
Total capital assets being depreciated	7,859,238	199,243	-	8,058,481
Less accumulated depreciation for:				
Site improvements	392,379	26,720	-	419,099
Buildings	1,829,321	88,977	-	1,918,298
Furniture and equipment	1,584,325	68,575	-	1,652,900
Total accumulated depreciation	3,806,025	184,272	-	3,990,297
Total capital assets being depreciated, net	4,053,213	14,971	-	4,068,184
Governmental activities capital assets, net	\$ 4,062,213	\$ 14,971	\$ -	\$ 4,077,184
Business-type activities:				
Furniture and equipment	\$ 85,087	\$ -	\$ -	\$ 85,087
Less accumulated depreciation	81,829	827	-	82,656
Business-type activities capital assets, net	\$ 3,258	\$ (827)	\$ -	\$ 2,431

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 184,272
Business-type activities:	
Food service operations	\$ 827

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 was \$292,330, \$287,473 and \$284,899, respectively, equal to the required contributions for each year.

Note 7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$219,998 for year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 1,912,500	\$ -	\$ 212,500	\$ 1,700,000	\$ 212,500
Early retirement	24,550	136,012	3,600	156,962	76,138
	<u>\$ 1,937,050</u>	<u>\$ 136,012</u>	<u>\$ 216,100</u>	<u>\$ 1,856,962</u>	<u>\$ 288,638</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-term Liabilities (Continued)

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year	Bond Issue of July 13, 2012			
	Interest			
Ending June 30,	Rate (%)	Principal	Interest	Total
2015	2.95%	\$ 212,500	\$ 53,284	\$ 265,784
2016	2.95%	212,500	47,016	259,516
2017	2.95%	212,500	40,747	253,247
2018	2.95%	212,500	34,478	246,978
2019	2.95%	212,500	28,211	240,711
Thereafter	2.95%	637,500	50,148	687,648
		<u>\$ 1,700,000</u>	<u>\$ 253,884</u>	<u>\$ 1,953,884</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,125,000 of bonds issued in July 2012. The bonds were issued for the purpose of financing a portion of the costs of a new HVAC system. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$1,953,884. For the current year, principal and interest of \$268,919 was paid on the bonds, and total statewide sales, services and use tax revenues were \$487,922.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) An amount equal to accrued interest of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying the first payment of interest.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 36 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding policy: The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB cost and net OPEB obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 10,194
Interest on net OPEB obligation	696
ARC adjustment	(659)
Annual OPEB cost	10,231
Contributions made	(38,400)
Decrease in net OPEB obligation	(28,169)
Net OPEB asset beginning of year	(12,709)
Net OPEB asset end of year	\$ (40,878)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$38,400 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2012	\$ 68,235	92.3%	\$ 15,460
June 30, 2013	10,231	375.3%	(12,709)
June 30, 2014	10,231	375.3%	(40,878)

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) (Continued)

Funded status and funding progress: As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$85,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,831,000, and the ratio of the UAAL to covered payroll was 2.2%. As of June 30, 2014, there were no trust fund assets.

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 3.0%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the Life Expectancy Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the GASB 45 Table I Paragraph 35(b) as of June 30, 2007 and applying the termination factors used in the GASB 45 Table I Paragraph 35(b) as of June 30, 2008.

Projected claim costs of the medical plan are \$824 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTES TO FINANCIAL STATEMENTS

Note 11. Leases

The District leases office equipment under an operating lease that requires monthly payments of \$2,328, expiring in March 2018. The following is a schedule of minimum future lease payments under the operating lease as of June 30, 2014:

Year Ended June 30,	
2015	\$ 27,933
2016	27,933
2017	27,933
2018	20,950
2019	-
	<u>\$ 104,749</u>

Total lease expense for the year ended June 30, 2014 totaled \$29,947.

Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES - BUDGET AND ACTUAL --
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**Required Supplementary Information
Year Ended June 30, 2014**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Local sources	\$ 3,841,997	\$ 310,080	\$ 4,152,077
Intermediate sources	-	-	-
State sources	3,506,610	3,004	3,509,614
Federal sources	254,353	204,614	458,967
Total revenues	7,602,960	517,698	8,120,658
Expenditures/Expenses:			
Current:			
Instruction	4,630,715	-	4,630,715
Support services	1,935,998	-	1,935,998
Non-instructional programs	-	532,301	532,301
Other expenditures	791,614	-	791,614
Total expenditures/expenses	7,358,327	532,301	7,890,628
Excess (deficiency) of revenues over (under) expenditures/expenses	244,633	(14,603)	230,030
Other financing sources, net	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	244,633	(14,603)	230,030
Balance, beginning of year	2,052,328	(35,469)	2,016,859
Balance, end of year	\$ 2,296,961	\$ (50,072)	\$ 2,246,889

See accompanying independent auditor's report.

Budgeted Amounts

Original	Final	Final to Actual Variance
\$ 4,912,085	\$ 4,912,085	\$ (760,008)
5,000	5,000	(5,000)
2,859,951	2,859,951	649,663
583,000	583,000	(124,033)
8,360,036	8,360,036	(239,378)
4,627,000	4,627,000	(3,715)
2,274,000	2,274,000	338,002
475,000	600,000	67,699
795,401	950,000	158,386
8,171,401	8,451,000	560,372
188,635	(90,964)	320,994
-	-	-
188,635	(90,964)	320,994
762,024	762,024	1,551,654
\$ 950,659	\$ 671,060	\$ 1,872,648

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT
June 30, 2014

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$279,599.

During the year ended June 30, 2014, expenditures in the instruction function exceeded the amount budgeted.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

(Expressed in thousands)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	\$ -	\$ 621	\$ 621	0.00%	\$ 3,987	15.6%
2011	July 1, 2009	-	621	621	0.00	3,682	16.9%
2012	July 1, 2009	-	621	621	0.00	3,601	17.2%
2013	July 1, 2012	-	85	85	0.00	3,809	2.2%
2014	July 1, 2012	-	85	85	0.00	3,831	2.2%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB (asset) obligation, funded status, and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL

Schedule 1

COMBINING BALANCE SHEET
Special Revenue Accounts
June 30, 2014

	Management Levy	Student Activity Fund	Total
Assets			
Cash and pooled investments	\$ 279,715	\$ 49,006	\$ 328,721
Receivables:			
Property tax:			
Delinquent	4,625	-	4,625
Succeeding year	259,999	-	259,999
Due from other funds	1,497	-	1,497
Total assets	\$ 545,836	\$ 49,006	\$ 594,842
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	259,999	-	259,999
Total deferred inflows of resources	259,999	-	259,999
Fund balances:			
Restricted for:			
Management levy purposes	285,837	-	285,837
Student activities	-	49,006	49,006
Total fund balances	285,837	49,006	334,843
Total liabilities, deferred inflows of resources and fund balances	\$ 545,836	\$ 49,006	\$ 594,842

See accompanying independent auditor's report.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Accounts
 Year Ended June 30, 2014

	Management Levy	Student Activity Fund	Total
Revenues:			
Local sources:			
Local tax	\$ 300,241	\$ -	\$ 300,241
Other	-	97,013	97,013
State sources	154	-	154
Total revenues	300,395	97,013	397,408
Expenditures:			
Current:			
Instruction:			
Regular	51,003	-	51,003
Other	-	30,164	30,164
Support services:			
Student	-	64,399	64,399
Administration	1,111	-	1,111
Operation and maintenance of plant	45,979	-	45,979
Transportation	11,814	-	11,814
Total expenditures	109,907	94,563	204,470
Change in fund balances	190,488	2,450	192,938
Fund balances beginning of year	95,349	46,556	141,905
Fund balances end of year	\$ 285,837	\$ 49,006	\$ 334,843

See accompanying independent auditor's report.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2014

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
All HS Athletics	\$ 2,948	\$ 1,067	\$ 466	\$ -	\$ 3,549
HS Uniforms	221	880	-	-	1,101
HS Football	6,793	9,183	5,809	-	10,167
HS Basketball	4,191	8,381	9,098	-	3,474
HS Track/Cross Country	(680)	7,150	4,900	-	1,570
HS Golf	(1,505)	750	1,515	-	(2,270)
HS Baseball/Softball	897	5,758	8,345	100	(1,590)
HS Volleyball	1,546	2,916	2,579	-	1,883
HS Wrestling	3,944	7,060	5,927	-	5,077
Class of 2011	327	-	-	-	327
Class of 2014	2,440	560	2,309	-	691
Class of 2012	17	-	-	-	17
Class of 2013	(633)	-	-	-	(633)
Class of 2015	-	5,863	3,536	-	2,327
All JH Athletics	2,576	837	100	-	3,313
JH Football	403	442	550	-	295
JH Volleyball	36	876	348	-	564
JH Basketball	(425)	1,811	1,630	-	(244)
JH Track	(77)	2,072	914	-	1,081
JH Baseball/Softball	(1,287)	141	1,510	(100)	(2,756)
Pictures	1,338	-	-	-	1,338
Project Graduation	1,762	10,534	11,929	-	367
HS Activities	70	-	-	-	70
JH Band Club	2,818	1,847	1,947	60	2,778
HS Band Club	2,265	3,109	3,664	(60)	1,650
Speech Club	229	229	650	-	(192)
JH Vocal Club	194	-	-	-	194
SH Vocal Club	569	1,261	1,322	-	508
HS Music Trip	4,652	7,084	9,074	-	2,662
National Honor Society	1,665	6,224	6,392	390	1,887
DECA	525	-	-	-	525
Operation Angel Tree	1,318	2,765	2,763	-	1,320
Industrial Tech Club	5	-	-	-	5
HS Cheerleading	965	1,434	1,389	-	1,010
Youth Softball	590	-	-	-	590
FCA	181	-	-	-	181
JH Student Council	2,783	2,238	1,943	-	3,078
SH Student Council	2,895	4,541	3,954	(390)	3,092
Total	\$ 46,556	\$ 97,013	\$ 94,563	\$ -	\$ 49,006

See accompanying independent auditor's report.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Balance Sheet
 Capital Project Accounts
 June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 650,600	\$ 353,227	\$ 1,003,827
Receivables:			
Property tax:			
Delinquent	-	2,829	2,829
Succeeding year	-	179,798	179,798
Other receivable	93,578	-	93,578
Total assets	\$ 744,178	\$ 535,854	\$ 1,280,032
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	9,700	-	9,700
Total liabilities	9,700	-	9,700
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	179,798	179,798
Total deferred inflows of resources	-	179,798	179,798
Fund balances:			
Restricted for:			
School infrastructure	734,478	-	734,478
Physical plant and equipment	-	356,056	356,056
Total fund balances	734,478	356,056	1,090,534
Total liabilities, deferred inflows of resources and fund balances	\$ 744,178	\$ 535,854	\$ 1,280,032

See accompanying independent auditor's report.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Capital Project Accounts
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 183,441	\$ 183,441
Other	794	471	1,265
State sources	487,922	30	487,952
Total revenues	488,716	183,942	672,658
Expenditures:			
Support services:			
Operation and maintenance of plant	-	34,277	34,277
Transportation	-	2,009	2,009
Other expenditures:			
Facilities acquisition	109,727	192,970	302,697
Total expenditures	109,727	229,256	338,983
Excess (deficiency) of revenues over (under) expenditures	378,989	(45,314)	333,675
Other financing (uses):			
Operating transfers out	(268,919)	-	(268,919)
Total other financing (uses)	(268,919)	-	(268,919)
Change in fund balances	110,070	(45,314)	64,756
Fund balances beginning of year	624,408	401,370	1,025,778
Fund balances end of year	\$ 734,478	\$ 356,056	\$ 1,090,534

See accompanying independent auditor's report.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds For the Last Ten Years

	2014	2013	2012	Modified 2011
Revenues:				
Local sources:				
Local tax	\$ 3,296,117	\$ 3,564,967	\$ 3,552,828	\$ 3,365,628
Tuition	351,722	373,715	391,682	366,471
Other	194,158	367,174	317,315	265,348
Intermediate sources	-	7,000	-	-
State sources	3,506,610	2,902,257	2,914,589	2,813,745
Federal sources	254,353	275,353	490,948	527,975
Total revenues	\$ 7,602,960	\$ 7,490,466	\$ 7,667,362	\$ 7,339,167
Expenditures:				
Instruction	\$ 4,630,715	\$ 4,519,634	\$ 4,370,085	\$ 4,582,668
Support services:				
Student	113,979	33,746	28,038	24,997
Instructional staff	176,926	133,334	145,035	237,992
Administration	576,849	585,027	619,713	549,939
Operation and maintenance of plant	567,949	499,866	454,549	490,502
Transportation	500,295	493,862	470,872	523,949
Non-instructional programs		-	-	-
Other expenditures:				
Facilities acquisition	302,697	1,061,804	1,675,845	260,835
Long-term debt:				
Principal	212,500	212,500	-	-
Interest and other charges	56,419	32,040	-	-
AEA flowthrough	219,998	213,619	209,787	235,946
Total expenditures	\$ 7,358,327	\$ 7,785,432	\$ 7,973,924	\$ 6,906,828

Schedule 6

Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 3,068,583	\$ 2,833,006	\$ 2,401,462	\$ 2,264,305	\$ 2,071,352	\$ 2,276,340
331,981	374,769	314,084	357,758	295,199	349,057
225,119	254,428	198,008	326,633	248,001	297,772
-	-	-	-	-	-
2,591,058	3,202,679	3,234,267	3,082,963	3,062,893	2,790,789
652,939	255,533	373,368	303,399	510,867	523,768
\$ 6,869,680	\$ 6,920,415	\$ 6,521,189	\$ 6,335,058	\$ 6,188,312	\$ 6,237,726
\$ 4,590,477	\$ 4,496,567	\$ 4,446,653	\$ 4,359,746	\$ 3,995,352	\$ 4,242,339
17,894	9,843	6,128	26,630	36,981	88,129
182,197	197,949	177,817	209,938	164,999	104,281
595,997	687,679	658,098	626,222	613,337	666,232
453,286	431,916	518,133	546,018	604,802	473,992
557,572	504,576	499,637	475,786	398,041	384,079
-	26,415	5,597	6,970	2,593	8,910
287,871	286,563	135,987	485,837	151,967	102,250
160,000	80,000	500,000	215,000	130,000	175,000
4,217	8,768	37,630	44,098	41,928	52,093
233,982	215,899	211,810	201,135	193,945	194,187
\$ 7,083,493	\$ 6,946,175	\$ 7,197,490	\$ 7,197,380	\$ 6,333,945	\$ 6,491,492

**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
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ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of
Southeast Webster-Grand Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Webster-Grand Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Webster-Grand Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Webster-Grand Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southeast Webster-Grand Community School District's Responses to Findings

Southeast Webster-Grand Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Southeast Webster-Grand Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnarr & Company, LLP

Fort Dodge, Iowa
March 19, 2015

**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-14 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response – The District will continue to review and implement additional controls where possible.

Conclusion – Response accepted.

II-B-14 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. Southeast Webster-Grand Community School District does not have an internal control system designed to provide for the preparation of financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, "Communicating Internal Control Related Matters Identified in an Audit", requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements (continued):

Internal Control Deficiencies (continued):

II-B-14 Preparation of Financial Statements (continued)

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the District's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were reported.

Part III: Other Findings Related To Required Statutory Reporting:

III-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amount in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-14 Board Minutes – We noted no transactions requiring Board approval that had not been approved by the Board.
- III-G-14 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2013 was overstated by 1.0 student.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Department of Management as necessary.
- Conclusion – Response accepted.
- III-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Department of Education were noted.
- III-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- III-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 624,408
Revenue/transfers in:		
Sales tax revenues	\$ 487,922	
Other local revenues	794	488,716
		<u>1,113,124</u>
Expenditures/transfers out:		
School infrastructure construction	109,727	
Transfers to other funds:		
Debt service fund	268,919	378,646
		<u>734,478</u>
Ending balance		<u>\$ 734,478</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- III-M-14 Deficit Balances – Six student activity accounts had deficit balances at June 30, 2014. In addition, the School Nutrition and Eagle's Nest (Enterprise Funds) also have deficit balances.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-N-14 Revenue Bonds – The District has not established the reserve account required by the revenue bond resolution.

Recommendation – The District should establish the reserve account in the amount required and make the monthly transfers to the sinking account as required by the bond resolution.

Response – We will establish a reserve account and begin making transfers to a sinking account.

Conclusion – Response accepted.